

Introduced by:	Mayor
Date:	10/10/23
Hearing:	10/24/23
Action:	Enacted
Vote:	8 Yes, 0 No, 0 Absent, 1 Abstention

**KENAI PENINSULA BOROUGH
ORDINANCE 2023-24**

**AN ORDINANCE APPROVING THE CAPITAL LEASE PURCHASE OF THE
STRYKER MAKO SMARTROBOTICS SYSTEM FOR SOUTH PENINSULA
HOSPITAL**

WHEREAS, the Kenai Peninsula Borough (“Borough”) and South Peninsula Hospital, Inc. (“SPH, Inc.”) have entered into a Sublease and Operating Agreement for the operation of South Peninsula Hospital and other Medical Facilities, and to provide other healthcare programs and services, on a nonprofit basis to ensure continued availability to the service area residents; and

WHEREAS, Paragraph 12(b) of the operating agreement provides that major movable equipment including associated capital improvement costing in excess of \$500,000 must be approved by ordinance; and

WHEREAS, SPH, Inc. has performed approximately 48 percent of the total knee replacements (total joint arthroplasty) for residents of the Southern Kenai Peninsula over the past five years; and

WHEREAS, SPH, Inc. reports that a growing number of its surgical patients are leaving the service area to have their total joint arthroplasty procedure performed with a robotic system due to improved outcome and patient satisfaction; and

WHEREAS, the South Peninsula Hospital has been offered an option to enter into a seven- year embedded Capital Lease for a Stryker Mako SmartRobotics System (“Robotics System”) through an implant purchase commitment with Stryker and at the end of the lease commitment period title to the Robotics System will transfer to SPH, Inc., for the sole benefit of the South Kenai Peninsula Hospital Service Area, for \$1.00; and

WHEREAS, the discounted cost of the Robotics System is \$675,000 and the lending rate in the Stryker capital purchase license agreement is approximately prime plus two percent based on the Bloomberg Secured Overnight Funding Rate (“SOFR”) (swap rate); and

WHEREAS, current SOFR rates show a total of \$918,000 will ultimately be paid for the machine through the purchase of implants over the life of the 7-year master agreement; and

WHEREAS, funds will be provided from the SPH, Inc. operating cash to fund the repayment of this lease purchase; and

WHEREAS, during its regular meeting of August 23, 2023, the SPH, Inc. board of directors recommended approval of this expenditure; and

WHEREAS, at its meeting on September 14, 2023, the South Kenai Peninsula Hospital Service Area Board recommended approval by a unanimous vote;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the assembly approves the seven-year capital lease purchase of the Robotics System for the South Peninsula Hospital, for a cost of \$675,000 plus interest, with the funds for payment to be made from the South Peninsula Hospital operating cash.

SECTION 2. That the Mayor is authorized to execute any documents deemed necessary to fulfill the intents and purposes of this ordinance and that any lease purchase agreements or other documents must provide that South Peninsula Hospital, Inc. is leasing or purchasing the Robotics System, on behalf of the South Kenai Peninsula Hospital Service Area.

SECTION 3. That this ordinance shall be effective upon enactment.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 24TH DAY OF OCTOBER, 2023.



Brent Johnson, Assembly President

ATTEST:


Michele Turner, CMC, Borough Clerk



Yes: Cox, Ecklund, Elam, Hibbert, Ribbens, Tunseth, Tupper, Johnson
No: None
Absent: None
Abstention: Cooper